Report and Accounts

FOR THE YEAR ENDED 31st MARCH 1968

1968

BOOTS PURE DRUG COMPANY LIMITED

Notice of Annual Ordinary General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL ORDINARY GENERAL MEETING of Boots Pure Drug Company Limited will be held at Boots Works Canteen, Beeston, on Thursday, the 11th day of July, 1968, at 12 o'clock noon.

The business of the meeting will be:

(a) To receive the Directors' Report and Statement of Accounts and the Auditors' Report thereon.

(b) To declare a Dividend.

(c) To elect Directors.

(d) To fix the remuneration of the Auditors.

(e) To transact any other business which may be dealt with at the Annual General Meeting.

Any member entitled to attend and vote at the above mentioned meeting is entitled to appoint one or more proxies (who need not be members) to attend and vote in his stead. Dated this 13th day of June, 1968.

By Order of the Board,
H. T. MILNES,
Secretary.

Dates and Facts to note

Dividend and Interest Payments

Ordinary Dividends	Interim	*Announced early November. Paid early January.*
	Final	*Proposed mid May. Paid mid July.*
Loan Stock interest		*Paid end June, September, December and March.*

Results

First half-year results	*Announced early November.*
Results for the year	*Announced mid May.*
Report and Accounts	*Circulated mid June.*

For Capital Gains Tax purposes the market value of Boots Ordinary Shares on 6th April, 1965 was 16s. 0d. and of the 6% Loan Stock $90\frac{3}{8}$.

BOOTS PURE DRUG COMPANY LIMITED

Directors and Officers

Chairman	W. R. NORMAN
Managing Director	K. D. WILLIAMSON
Deputy Managing Director	G. I. HOBDAY
	D. E. M. APPLEBY
	THE RT. HON. LORD COLERAINE, P.C.
	R. C. M. DICKSON, M.P.S.
	K. H. HARPER, M.P.S.
	B. JEFFERIES
	SIR JAMES PITMAN, K.B.E.
	A. D. SPENCER
	M. J. VEREY
Secretary	H. T. MILNES
Registered Office	1 THANE ROAD WEST, NOTTINGHAM, NG2 3AA
Bankers	NATIONAL PROVINCIAL BANK LTD.
Auditors	PEAT, MARWICK, MITCHELL & CO.

Printed by Boots Pure Drug Company Limited, Nottingham, England

BOOTS PURE DRUG COMPANY LIMITED

Report of the Directors

for the year ended 31st March 1968

The Directors submit their Eightieth Annual Report to the Shareholders, together with the Audited Accounts for the year ended 31st March, 1968.

PROFITS, DIVIDENDS AND RETENTIONS

The Consolidated Profit and Loss Account shows the earnings of the Group which amount before tax to £16,813,382 compared with *£14,876,951* for the previous year and after tax amount to £9,217,170 as against *£8,843,233*. The net profits attributable to the members of Boots Pure Drug Company Limited are £9,182,280 compared with *£8,841,433*.

The Directors recommend the payment of a final dividend of 7·99% less tax to the Ordinary Shareholders on the register on 27th May, 1968. This, together with the interim dividend already paid, makes a total of 14·49% less tax for the year.

The balance of Group net profits after paying the recommended dividends will be £3,618,120 which the Directors recommend should be added to Revenue Reserves.

Details of the profits, dividends paid and recommended, and appropriations to Reserves are shown in the Consolidated Profit and Loss Account. Other movements in Reserves are shown in Note 9 on page 22.

GROUP ACTIVITIES

The principal activities of the Group are those of Retail Chemists and the manufacture and wholesale distribution of Pharmaceuticals, Drugs, Fine Chemicals and Toilet Preparations. Fuller details are shown in Note 11 on page 23.

EXPORTS

Exports by the Home Group in the year amounted to £2,851,635.

FIXED ASSETS

Net additions to Group Fixed Assets during the year totalled £4,603,056 *(1967 £6,464,926)* and Cumulative Depreciation increased by £1,716,050 *(1967 £2,340,531)*, giving a net increase in fixed assets of £2,887,006 *(1967 £4,124,395)*. Full details of the movements of Fixed Assets are shown in Note 12 on pages 24 and 25.

GROUP EMPLOYMENT AND REMUNERATION

The average number of persons employed weekly in the U.K. by the Group during the year was 39,247.

The total remuneration paid during the year to all such employees was £27,550,000.

PAYMENTS FOR CHARITABLE AND POLITICAL PURPOSES

Payments totalling £8,354 have been made by the Home Group during the year for charitable purposes.

A payment of £1,000 was made during the year to the Economic League.

THE BOARD OF DIRECTORS

Election of Directors

Mr. F. A. Cockfield tendered his resignation from the Board as from 31st December, 1967, and the Directors express their appreciation for the valuable services rendered by him.

In addition to the existing Directors, Mr. B. Jefferies and Mr. A. D. Spencer were appointed Members of the Board with effect from 4th January 1968 and Mr. D. E. M. Appleby was appointed a Member of the Board with effect from 4th April 1968. In accordance with Article 84 of the Articles of Association of the Company they retire and offer themselves for re-election.

Mr. M. J. Verey in accordance with Article 94 retires by rotation and offers himself for re-election.

Directors' Shareholdings and Transactions

In order to comply with the Companies Act 1967, details of the Directors' interests in the Share and Loan Capital of the Company are shown on page 28, and are deemed to be part of this Report.

AUDITORS

The Auditors, Messrs. Peat, Marwick, Mitchell & Co., have intimated their willingness to continue in office and a resolution as to their remuneration will be proposed.

By Order of the Board

H. T. MILNES, Secretary

13th June, 1968.

Statement by the Chairman Mr. Willoughby R. Norman

Sales

The year has been an excellent one with world sales increasing by 7% to a figure of £161,645,000. The chief reason for this result was splendid selling on the retail side of our business which was done against a background of rising costs of every kind. The flight from money into goods as a refuge against inflation was undoubtedly an important factor, but these sales figures clearly show the draw of our shops for the value and range of the merchandise we offer and for the service and enthusiasm of our staff.

Profits and Taxation

Profits from these sales, before tax, increased by 13% to £16,813,382. Productivity showed a continuing improvement as demonstrated by a further fall in staff numbers, whilst our expense control, and many other departments and individuals helped to achieve a greater efficiency.

Alas, taxation removes a much larger proportion of this profit even than last year, and after tax the net profit of the group reduces to £9,182,280. This is an increase of £340,847 over the previous year compared with an increase before tax of £1,936,431. The taxation charge goes up from 40% to 45% mainly because of the increased rate of corporation tax and the abolition of investment allowances. What would the Government do for taxation without private enterprise!

Shareholders will remember that because of the good half year figures the interim dividend last November was raised from 6% to 6½%. This increase in itself is fractionally more than allowed by the dividend freeze later imposed by the Government in March. We therefore have no alternative but to reduce the final dividend to 7·99% even though to repeat a final of 8% would only have meant paying out an extra £3,840 out of a distribution of more than £5½ million. Representations were made to H.M. Treasury but in vain. Comment is superfluous. In normal course because of the improved profit we would have recommended a final dividend of 9½% making a total of 16% for the year. This is now the second year that freedom of action over dividend policy has been restricted. With an interim dividend of 6½% and a final of 7·99% the total for the year is therefore 14·49%, exactly the permitted 3½% more than the total of 14% last year, the dividend being covered 1·65 times.

There has been another very big improvement in the cash position which shows a balance of £3,507,000 compared with £374,000 at the end of the previous financial year.

Retail Business

Sales through our branches in U.K. and Northern Ireland, including N.H.S. dispensing, increased by 7½% over the previous year and comfortably exceeded the £150 million mark.

Business was slow in the first quarter but our theme throughout the year was as always value and service, and we supported this by a series of attractive special offers for limited periods and by really worth while permanent price reductions on important lines. Sales quickened in the second and third quarters, and in November were being influenced by devaluation and the approach of Christmas. Sales over the Christmas period were excellent and brought an increase of 7½% with more than £1 million going into our tills on each of four days.

In the New Year we benefited to the full from the increased spending in the period leading up to the Budget. Our policy was still to emphasize value at Boots and this we did by holding the prices of all goods of our own manufacture and those that carry the Boots brand name, in all covering some 4,000 items. Then when Purchase Tax was increased by the Budget we announced that prices would not be increased until after Easter. The outcome of all these events was a sales increase for the final quarter of 12½%.

Dispensing, which we have always regarded as the corner stone of our service to the community, increased substantially. At times during the winter dispensing was exceptionally heavy and at the height of the influenza epidemic we dispensed more than a million prescriptions in a single week.

During the year under review payment made to chemists for N.H.S. dispensing was twice subject to a downward adjustment, the effect of these cuts being to reduce our remuneration on the ingredient cost of every prescription by 2½%.

Some results of the retail modernisation programme seen during the year.
Top, left to right: *St. Andrews, Fife; Royal Exchange, Manchester—the first major post-war branch has been refitted.*
Centre: *Winchester, a blend of old and modern architecture; Brownhills, Sheffield.*
Lower: *Southport, Cannock, and Bridgwater.*

As you will be aware the Government has announced the introduction of prescription charges as from June 10th. The effect of these new charges will depend to a great extent on the method adopted to operate the exemption procedure but final details are not yet announced. As, however, the object of the exercise is to reduce numbers, this measure will adversely affect our business, though it may be mitigated to some extent by a higher value per prescription and by an increase in medicinal counter sales.

Because of planning and licensing difficulties we were only able to add some 42,000 sq. ft. to our selling space during the past year. This included 5 new branches, at Castle Vale—Birmingham, Crossgate—Leeds, Bangor—N.I., Peterlee and Rayleigh, and 51 others were extended and modernised. Large scale completions during the year were Royal Exchange—Manchester, Winchester, Jersey and Guernsey, and new larger alternative branches have been opened at Stockport, Deal, Cannock, Gateshead, Barrow and Wokingham.

The current year's development programme will be larger both in content and cost. Building licences previously refused have now been granted and projects under construction at Doncaster, Croydon, Redhill, Scarborough, Reading and Cheltenham will be completed. These, together with 5 further new branches and with work proceeding in many other places such as Dundee, Basingstoke, Birkenhead, Sunderland and Southampton, will involve a capital expenditure in the region of £4·5 million and represent a further gain to our sales space of approximately 100,000 sq. ft.

Our retail representation still has many gaps and inadequacies which occupy continually our estate people, shop planners and architects. It should not be forgotten that a chain of shops is never constant; many of yesterday's variety are today too small and perhaps no longer well sited; shops on a perfect pitch today may, with town developments, different shopping habits, by-passes, changed housing or altered parking facilities be badly placed tomorrow. Property is costly and tightly held and to cope with these variables foresight and skill are necessary, as well as luck. There is certainly large scope for the development of our chain both by extension and improvement; we have the cash and the expertise but the limiting factor is the availability of suitable property.

The case of Dickson v. The Pharmaceutical Society, which was mentioned in last year's report, is still *sub judice* as this goes to print. The Society's appeal to the House of Lords was heard in March and judgment is expected shortly.

Wholesale Business

Home wholesale sales to outlets other than our own branches showed a decrease, which is more than accounted for by the loss of a single large manufacturing contract because the proprietors concerned have now set up their own factory. Sales of medical specialities to hospitals and private chemists have improved and we have added 'Sweetex', our leading sweetener, to the range of products available to all chemists. We are forming our own sales force for the distribution of these nationally available products.

Direct exports at £2·8 million show a small improvement but it is encouraging that the increase was concentrated in sophisticated medicinal and agricultural products which carry a higher margin of profit. Trade has been slow to recover from the difficulties of last year and the war in the Middle East had a serious effect on sales there. The devaluation of sterling presents an opportunity but it is regrettable that the Government should have withdrawn the Export Rebate at a time when a material incentive to the exporting industries is more than ever necessary.

During the year we have completely reorganised the management and marketing structure of our International Division and we hope that the expected growth in this area of the company's activities will not be long delayed.

Sales by our overseas companies increased from £3·87 to £4·18 million. The Indian Company was able to increase sales and profit very substantially and output has now reached the point where consideration must be given to the resiting and major expansion of the manufacturing facilities. The Nigerian Company's sales were seriously affected by the economic and political situation there. The new Pakistan factory to which I referred last year is now in full production and the sales of the Pakistan Company were more than double those of the previous year.

Boots new head office at West Nottingham was opened early in 1968. The excellent lighting shows to advantage in the upper photograph taken in the early evening. Other illustrations indicate the pleasant and spacious working conditions.
Two of the latest IBM computers have now been commissioned in the head office—part of the installation is shown in the lower left photograph.

Here let me say that the wholesale side of our business, whether at home or overseas, has for too long been the Cinderella to our retail chain. We have the manufacturing facilities to produce goods for selling wholesale as well as retail, but we have in the past lacked the marketing expertise for selling other than through our own shops. This is now being remedied and my colleagues and I are determined on a very special effort in this direction. It will take a little time, but it must and will be done.

Research, Manufacture and Suppliers

Research and development work on new products continues and covers a wide range of interests. In addition to the development of new lines for our branches, our research effort is directed towards producing pharmaceuticals for doctor prescribing in the United Kingdom and overseas, and plant and animal husbandry products for sale through Boots Farm Sales Ltd. and our various marketing channels outside this country.

In the area of human medicines, we have continued to work on a series of compounds for the treatment of rheumatic diseases, and one potential product has been undergoing long-term clinical trials in this country and abroad, and the results to date look very promising.

In the agricultural area, we have recently marketed Tri-Cornox to control broad-leaved weeds in all U.K. cereal crops. This contains benazolin, a product from our own Research Laboratories.

The completion of the new biologicals building on our Nottingham site has brought to a conclusion the programme of re-housing our chemical manufacture there in new purpose-built buildings enabling us to proceed with the demolition of the old. Our pharmaceutical factories at Beeston and Airdrie have achieved considerable improvements in productivity, and we continue our programme of re-equipment with versatile plant to take advantage of improved technology for an inventory extending over varied fields. The pharmaceutical and chemical factories taken together manufacture some 2,150 different lines.

We continue to enjoy happy relations with our many suppliers. With some the relationship is a straightforward buying one and in many cases we are their largest customer; with those who produce exclusive Boots branded merchandise, as in the photographic and surgical and gift fields particularly, we have a very close and cordial collaboration. With many we have been business friends over a long period of time, and to them all both at home and abroad I send our appreciation and thanks. Sir Jesse Boot, our founder, had as one of his maxims that no business deal was satisfactory unless it gave satisfaction to both parties. We have always tried to live up to this with our customers and I would like to feel we are equally successful in all our other dealings.

Distribution

We have improved the methods of supplying our branches by operating redistribution centres, but our present and great anxiety is the new Transport Bill now before Parliament which cuts into the heart of our very intricate distribution system. To secure the best in terms of speed, reliability and cost we use a carefully balanced mixture of our own transport, hired transport and rail services. The effect of the Bill is to increase the cost of road haulage in order to make it less competitive with rail, and in some instances to direct traffic to rail. The element of direction and the certainty that costs of distribution will go up must cause everybody great concern.

The Multiple Shops Federation, which represents some 450 multiple retailers operating approximately 40,000 shops with names that are familiar in every High Street, calculate that the Bill will increase the distribution costs of its members by between 6½% and 8½%, while increases in the Budget affecting transport will bring this rise up to between 9½% and 11½%. This addition to cost is bound to come through to customers in higher prices and could amount to between 3d. and 3½d. in the £. Let it be remembered also that this is only one of a dozen measures enacted during the last 6 months alone to cause higher prices in every shop in this country. In my view the customer will be really appalled at the result when all these measures have worked through into the price of goods and services.

Pharmaceutical, home and toilet merchandise, represented in this selection of Boots brand lines introduced during the year.

Staff and Administration

I would like to pay a particular tribute to our staff this year for the really excellent results they have achieved in the face of many frustrations and problems. My praise and the thanks of the directors, and I am sure also of our shareholders, include them all but I want to make particular mention of two categories; first our managers, pharmacists and dispensers for the splendid way in which they coped during the influenza epidemic; second the departmental seniors in our shops for the leadership and enthusiasm which they gave to their assisting staff during the busy Christmas weeks. All our people have had a busy year and the result of their labours is demonstrated in the year's profit and loss account.

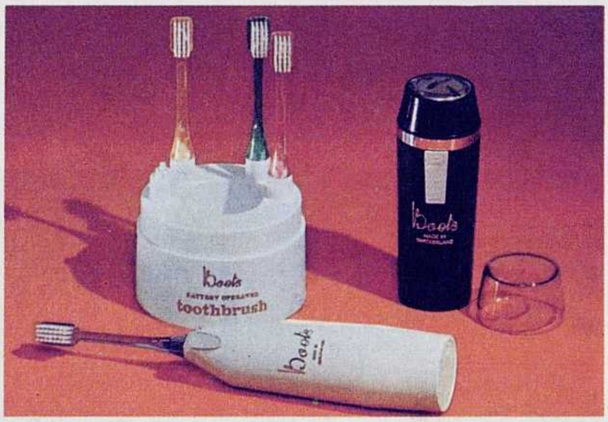
Numbers again show a further substantial fall and this is vital and inevitable with the savage increase in Selective Employment Tax which will shortly be upon us. Part-time staff of necessity form an increasing proportion of our total retail numbers.

The area which gives us real worry is the drop in the number of students entering the pharmaceutical profession plus the fact that the proportion of graduates coming into retail pharmacy is also falling. Our pharmacist position is adequate in the short term but if this trend is not reversed it could endanger the pharmaceutical service to the public, as it has already begun to do in the hospital service. Because of this situation we have further reduced the time between a man's registration as a pharmacist and his first appointment as one of our managers, all of whom are pharmacists, and to this end a new manager training scheme was introduced last year. Although more concentrated in time and content, it is believed that by virtue of the high degree of participation engendered by modern training techniques this course can replace the 'learning by practice' produced by long apprenticeships of a byegone era.

We are currently paying levy to three Industrial Training Boards and obtaining rebate from them based on our training expenditure. We accept full responsibility for ensuring that everyone in the company is able to develop his or her ability to the maximum and we aim to provide the training, the encouragement and the opportunities that are needed. Staff Training at Nottingham makes provision for a wide range of courses, and in addition we are making full use of outside facilities at Ashridge, Henley, the London and Manchester Business Schools and Harvard.

There have been a number of changes on the Board during the past year. Mr. F. A. Cockfield resigned as from December 31st last after 15 years as Finance Director and subsequently as Managing Director, and tribute to his work has already been paid. Mr. K. D. Williamson, who has served in many senior positions during his 38 years with the company, was appointed Managing Director as from the 1st January, and Dr. G. I. Hobday was appointed as Deputy Managing Director at the same time. Dr. Hobday joined the company in 1939 and has been Research Director since 1955. Mr. B. Jefferies, Merchandise Director, and Mr. A. D. Spencer, Retail Operations Director, were appointed to the Board on January 4th. At the beginning of April Mr. D. E. M. Appleby joined the Board as Finance Director coming to us from the Wilkinson Sword Company. These promotions and additions will I am sure be a source of increased strength to us.

Early in February we moved into our new head office building on our Beeston site a few miles west of Nottingham. I referred to it last year and photographs appear on page 8. Embodying the most advanced techniques in office planning it houses 1100 people drawn from seven out-of-date and dispersed buildings. It provides immensely improved working conditions, and reaction from the staff has been excellent. In addition to all the usual facilities, we provide in or near the building the latest canteen and cafeteria systems, 2 shops and a bank. We have no doubt that this new office, built for the job on a large landscaped site, will greatly help administrative efficiency and we think it may well be regarded as a significant development in office design.



More Boots 'exclusives', mainly for the larger, departmental stores. These examples are typical of the design and value of lines bearing the Boots brand name.

Legislation and Impositions

It has been quite a problem in the past year to keep pace with the flood of new legislation before Parliament. At one time there were 15 bills and legislative processes which involved the company's interests. All of them demand detailed study by highly qualified staff who have to be diverted from their usual occupations in order to safeguard the company's interests as far as possible.

The most important of the new bills as far as this company is concerned is the Medicines Bill. Although we welcome measures which will protect the public over medicinal products, it should be realised that this Bill brings about extensive and far-reaching control of the Pharmaceutical Industry by the Government. It will cause greater delay in bringing new products to the market and increased staff will be required to deal with the complexities of the proposed new regulations with the inevitable increase in costs.

I have already referred to the Transport Bill, and some of the others which concern us are the Health Services and Public Health Bill, the Trade Descriptions (No. 2) Bill, the Shops (Sunday Trading) (No. 2) Bill, the Restrictive Trade Practices Bill and the Theft Bill. Other bodies whose operations closely concern us are the Prices and Incomes Board, the Monopolies Commission and, of course, the Board of Trade. New proposals on Safety, Health and Welfare legislation are under active consideration and here we welcomed an adequate opportunity to study and comment upon the proposals well in advance of the Bill. But all these measures occupy a great deal of time with meetings, form filling and the provision of figures so that large companies need to have almost a private band of civil servants to cope with the bureaucracy increasingly imposed upon industry.

The Budget seeks to impose further heavy burdens on the retailer; Purchase Tax will cost us another £6½m. during the current year, Selective Employment Tax an additional £550,000 in a full year, increased transport costs in the Budget alone £39,000 and redundancy levy £11,500. Added to these are increases for electricity, postage and telephone.

We are told that increased taxes and costs are required to reduce consumer demand yet at the same time the increased prices they cause are sometimes referred to as being unnecessary, anti-social or profiteering. Retailers are expected to do their best to help the community but to absorb additional impositions on this scale is quite impossible and a general increase in retail prices is now inevitable.

Conclusion

I have already dwelt in this report on the dangers of rising costs and the price increases which are bound to follow. Time alone will show the extent of the rise in the cost of living but it must in any case be serious. Our economy is being imperilled by present Government policies and advancing bureaucracy, and in my submission it is the duty of industry and commerce to resist and to fight back in every way possible.

I do not believe there is any body of persons more sensitive to the needs of the public good than retailers generally, and we in the Boots company will continue to serve the community faithfully and to the best of our ability. The past year has worked out well for us for the reasons stated, but I fear that the same rate of progress may not be achievable in the current one as it does not look as if sales can be so buoyant or expenses so absorbed.

Our policy in this and the next few years is to push ahead with our retail expansion and to concentrate on obtaining more throughput for our factories by finding fresh markets, retail and wholesale, at home and abroad.

Report of the Auditors

to the Members of Boots Pure Drug Company Limited

We have examined the annexed balance sheet, consolidated balance sheet and consolidated profit and loss account. The accounts of certain overseas subsidiaries have been audited by other firms.

In our opinion the balance sheet and the consolidated accounts comply with the Companies Acts, 1948 and 1967, and give respectively a true and fair view of the state of the Company's affairs at 31st March, 1968 and, so far as concerns members of the Company, a true and fair view of the state of affairs and of the profit of the Group.

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants.

Birmingham and London
7th June, 1968

Consolidated Profit and Loss Account

for the year ended 31st March 1968

(Incorporating the results of the United Kingdom Subsidiaries for the year ended 31st March 1968 and of the Overseas Subsidiaries for the year ended 31st December 1967)

		1968 £	1968 £	1967 £	1967 £
Net World Sales (excluding inter-group transactions)			£161,644,544		£150,886,976
Profits of Boots Pure Drug Company Limited and of its Subsidiaries *(Note 1)* before charging Profit Earning Bonus for Staff			18,368,335		16,255,647
	Deduct Profit Earning Bonus for Staff		1,554,953		1,378,696
Consolidated Profits before Tax			16,813,382		14,876,951
	Deduct Tax on Profits of the year *(Note 2)*		7,596,212		6,033,718
Consolidated Profits after Tax			9,217,170		8,843,233
	Deduct Profit attributable to Minority Shareholders of Subsidiary Companies		34,890		1,800
			9,182,280		8,841,433
Net Profits of the Group	Profits retained in Subsidiaries	1,513,608		2,424,604	
	Profits of Boots Pure Drug Company Limited	7,668,672		6,416,829	
			9,182,280		8,841,433
Dealt with as follows	Ordinary Dividends (Gross) for the year—				
	Interim of 6½% already paid *(1967 6%)*	2,496,000		2,304,000	
	Final Dividend of 7·99% making a total of 14·49% *(1967 total 14%)*	3,068,160		3,072,000	
			5,564,160		5,376,000
	Profits retained in the Group and included in Revenue Reserves—				
	Subsidiaries	1,513,608		2,424,604	
	Boots Pure Drug Company Limited	2,104,512		1,040,829	
			3,618,120		3,465,433
			£9,182,280		£8,841,433

The notes on pages 20, 21, 22, 23, 24 and 25 form part of the Accounts

Consolidated Balance Sheet 31st March 1968

(Incorporating United Kingdom Subsidiaries as at 31st March 1968 and Overseas Subsidiaries as at 31st December 1967)

SHAREHOLDERS' FUNDS AND LIABILITIES		1968		1967	
		£	£	£	£
Capital of Boots Pure Drug Company Limited, Issued and Fully Paid					
	Ordinary Shares of 5/- each		38,400,000		*38,400,000*
Reserves *(Note 9)*:	Capital	14,443,911		*14,147,499*	
	Revenue	24,603,509		*21,015,960*	
			39,047,420		*35,163,459*
			77,447,420		*73,563,459*
6% Loan Stock 1978-83 *(Note 5)*			2,065,866		*2,065,866*
Interest of Minority Shareholders in Subsidiary Companies			334,165		*208,449*
Provision for Pensions			927,426		*927,426*
Deferred Tax in respect of Capital Allowances			2,595,508		*1,984,985*
Corporation Tax payable 1st January, 1969			6,979,051		*5,597,327*
Current Liabilities:	Creditors	18,108,849		*15,141,632*	
	Amount due to Bankers *(Note 8)*	451,411		*402,230*	
	Final Dividend (Gross) on Boots Pure Drug Co. Ltd. Ordinary Shares	3,068,160		*3,072,000*	
			21,628,420		*18,615,862*
			£111,977,856		*£102,963,374*

The notes on pages 20, 21, 22, 23, 24 and 25 form part of the Accounts

ASSETS		1968		1967	
		£	£	£	£
Fixed Assets *(Note 12)*:	Properties as independently valued or at Cost:				
	Freeholds	42,494,814		*40,576,041*	
	Leaseholds	14,416,745		*13,678,339*	
	Fittings and Plant at Cost	35,609,415		*33,663,538*	
			92,520,974		*87,917,918*
	Less Provision for Depreciation and Amortisation:				
	Freeholds	4,045,893		*3,278,434*	
	Leaseholds	2,496,987		*2,045,962*	
	Fittings and Plant	15,556,385		*15,058,819*	
			22,099,265		*20,383,215*
			70,421,709		*67,534,703*
Investments:	Quoted, at Cost (Market Value £396)	220		*278*	
	Unquoted *(Note 4)*	7,722		*7,723*	
			7,942		*8,001*
Differences arising on consolidation through accounting years of Holding Company and Overseas Subsidiaries not ending on the same date			80,491		*47,504*
Current Assets:	Stock-in-Trade *(Note 3)*	28,015,903		*26,269,885*	
	Debtors, *less* provision	9,493,958		*8,326,680*	
	Cash at Bankers and in hand	3,957,853		*776,601*	
			41,467,714		*35,373,166*
			£111,977,856		*£102,963,374*

W. R. NORMAN
K. D. WILLIAMSON
Directors

BOOTS PURE DRUG COMPANY LIMITED

Balance Sheet 31st March 1968

SHAREHOLDERS' FUNDS AND LIABILITIES

		1968 £	1968 £	1967 £	1967 £
Capital Authorised	Ordinary Shares of 5/- each		50,000,000		*50,000,000*
Capital Issued and Fully Paid	Ordinary Shares of 5/- each		38,400,000		*38,400,000*
Reserves *(Note 9)*:	Capital	3,397,109		*3,236,850*	
	Revenue	11,426,636		*9,372,423*	
			14,823,745		*12,609,273*
			53,223,745		*51,009,273*
6% Loan Stock 1978-83 *(Note 5)*			2,065,866		*2,065,866*
Provision for Pensions			507,426		*507,426*
Deferred Tax in respect of Capital Allowances			1,152,807		*877,378*
Corporation Tax payable 1st January, 1969			2,741,772		*2,218,851*
Current Liabilities:	Creditors	15,332,409		*12,535,009*	
	Amounts due to Subsidiaries	6,100		*5,700*	
	Final Dividend (Gross) recommended on Ordinary Shares	3,068,160		*3,072,000*	
			18,406,669		*15,612,709*
			£78,098,285		*£72,291,503*

The notes on pages 20, 21, 22, 23, 24 and 25 form part of the Accounts

ASSETS		1968		1967	
		£	£	£	£
Fixed Assets *(Note 12)*:	Properties as independently valued or at Cost:				
	Freeholds	19,857,554		19,305,075	
	Leaseholds	1,259,873		1,259,758	
	Fittings and Plant at Cost	15,562,972		14,947,681	
			36,680,399		35,512,514
	Less Provision for Depreciation and Amortisation:				
	Freeholds	3,030,096		2,629,318	
	Leaseholds	335,842		307,887	
	Fittings and Plant	8,905,720		9,266,177	
			12,271,658		12,203,382
			24,408,741		23,309,132
Investments:	Subsidiary Companies:				
	Ordinary Shares at par, *less* provision	10,742,220		10,567,744	
	Loans	9,586,163		9,532,750	
			20,328,383		20,100,494
	Quoted, at Cost (Market Value £263)	100		175	
	Unquoted *(Note 4)*	50		240	
			150		415
Current Assets:	Amounts due by Subsidiaries	10,428,688		11,247,467	
	Stock-in-Trade *(Note 3)*	12,371,539		10,990,437	
	Debtors, *less* provision	6,976,476		6,209,701	
	Cash at Bankers and in hand	3,584,308		433,857	
			33,361,011		28,881,462
			£78,098,285		£72,291,503

W. R. NORMAN
K. D. WILLIAMSON — *Directors*

Notes on the Group Accounts

these form part of the Accounts

1 (a)

The Group Profits have been arrived at after taking credit for:

		1968		1967
	£	£	£	£
Income from Quoted Investments	47		46	
Income from Unquoted Investments	1,041		1,160	
		1,088		1,206
and after charging:				
Depreciation of Properties	1,261,830		1,167,095	
Depreciation of Fittings and Plant	2,373,972		2,099,808	
		3,635,802		3,266,903
Special obsolescence of Fittings and Plant		182,825		—
Loan Stock Interest		123,952		123,952
Bank Interest		35,804		28,834
Computer and other Plant Hire		177,649		117,636
Remuneration of Auditors		14,990		14,150
Companies' Payments to Pension Funds: Ordinary Contributions		925,304		915,083
Annual Payments for past service		142,161		132,808

(b)

The emoluments of the Directors of Boots Pure Drug Company Limited from all members of the Group are comprised of:

	1968	1967
	£	£
Directors' Fees	10,550	10,500
Other emoluments, including contributions under approved Pension Schemes	214,643	207,123
Pension paid to a past Director	1,000	1,000
Payment to past Director on the termination of his service with the Company	55,000	—
	£281,193	£218,623

Particulars of Directors' emoluments (excluding pension contributions) as required by Section 6 of the Companies Act 1967:

	1968	1967
	£	£
The emoluments of the Chairman were	18,000	18,000
The emoluments of the highest paid Director were	27,000	36,000

	Number of Directors	
	1968	1967
The number of Directors receiving emoluments in the following groups were:		
£35,001 to £37,500	–	1
£25,001 to £27,500	1	–
£20,001 to £22,500	3	4
£17,501 to £20,000	1	1
£15,001 to £17,500	1	–
£2,501 to £5,000	2	–
Under £2,500	3	3

(c)

Particulars of employees other than Directors of Boots Pure Drug Company Limited whose emoluments exceeded £10,000 (excluding pension contributions):

	Number of Employees	
	1968	1967
£15,001 to £17,500	–	2
£12,501 to £15,000	–	2
£10,001 to £12,500	4	1

2 (a)

The amount charged for taxation consists of:

	1968	*1967*
	£	*£*
U.K. Corporation Tax on taxable profits at 42½% *(40%)*	7,048,037	*5,655,268*
Deduct Double taxation relief	68,986	*57,941*
	6,979,051	*5,597,327*
Transfer to provision for deferred tax	482,717	*325,878*
Total U.K. taxes	7,461,768	*5,923,205*
Overseas tax	191,212	*204,009*
	7,652,980	*6,127,214*
Deduct adjustment for previous years	56,768	*93,496*
Charge to Profit and Loss Account	£7,596,212	*£6,033,718*

(b)

Investment Allowances have reduced the tax charge by £41,000 *(£203,000)*.

(c)

No provision has been made for liability to Corporation Tax on chargeable gains, which might arise if the book values of freehold and leasehold properties were realised.

(d)

No provision has been made for taxation liabilities which would arise on the distribution of profits retained by Overseas Subsidiaries.

(e)

Deferred tax provision represents taxation on the excess of Capital Allowances (other than Investment Allowance) over the comparative depreciation charged against profits.

3.

Stock-in-Trade has been valued as in previous years, the basis being cost to the Group less provision to reduce to net realisable value.

4.

Unquoted Investments are valued by the Directors at:

Group	£8,398
Boots Pure Drug Company Limited	£50

5.

The 6% Unsecured Loan Stock is redeemable at par, either *(a)* on 31st March, 1983, or *(b)* as a whole at any time on or after 1st April, 1978 on giving not less than three months' previous notice.

6.
The currency values of the assets and liabilities of the Overseas Subsidiaries have been converted into sterling at the approximate rates of exchange ruling at 31st March, 1968. The increases in the sterling value of their reserves arising from the devaluation of sterling on 18th November, 1967, are included in Note 9. Sales and profits prior to devaluation have been incorporated in the Group figures at the rates ruling on 18th November, 1967 and after devaluation at the approximate rates of exchange ruling on 31st March, 1968.

7.
The accounting periods of the Overseas Subsidiaries have not been synchronised with that of Boots Pure Drug Company Limited as this would delay presentation of the Group's annual accounts.

8.
The overdrafts of certain Overseas Subsidiaries amounting to £451,411 at 31st December, 1967, were secured on the assets of the Subsidiaries.

9.
Movements of the Reserves since 31st March, 1967, are as follows:

	Group		Boots Pure Drug Co. Ltd.	
	Capital	*Revenue*	*Capital*	*Revenue*
	£	£	£	£
At 31st March, 1967	14,147,499	21,015,960	3,236,850	9,372,423
Add:				
Undistributed profits from Profit and Loss Account	—	3,618,120	—	2,104,512
Transfer between Reserves	10,983	(10,983)	—	—
Surplus on sales of properties	69,455	—	20,000	—
Miscellaneous Items	35,885	(3,937)	(3,404)	—
Premium on Share Issue (India)	22,475	—	—	—
Transfer to Provision for Deferred Tax	—	(127,806)	—	(54,836)
	14,286,297	24,491,354	3,253,446	11,422,099
Add:				
Surplus arising on devaluation of sterling	157,614	112,155	143,663	4,537
At 31st March, 1968	£14,443,911	£24,603,509	£3,397,109	£11,426,636

Group capital reserves include £59,555 share premium in respect of an overseas subsidiary company *(1967 £28,572).*

10.
Boots Pure Drug Company Limited is not a 'close company' under the Finance Act, 1965.

11.

The principal activities of Boots Pure Drug Company Limited are the manufacture and wholesale distribution of Pharmaceuticals, Drugs, Fine Chemicals and Toilet Preparations.

Subsidiary Companies

(excluding inactive and non-trading companies)

The following companies are wholly owned subsidiaries of Boots Pure Drug Company Limited except as otherwise indicated:

Incorporated in Great Britain:	Principal activities:
Boots The Chemists Ltd.	Retail Chemists
Boots Farm Sales Ltd.	Agricultural & Veterinary Wholesalers

As from 1st April 1968, under a scheme of reorganisation to improve the efficiency of the Group, Boots The Chemists Ltd. acquired the undertakings and assets of the following companies which went into liquidation on 29th March 1968.

Boots The Chemists (Eastern) Ltd.	Retail Chemists
Boots The Chemists (Lancashire) Ltd.	Retail Chemists
Boots The Chemists (Western) Ltd.	Retail Chemists
Boots The Chemists (Southern) Ltd.	Retail Chemists
Boots The Chemists (Northern) Ltd.	Retail Chemists

Incorporated overseas:

New Zealand	Boots The Chemists (New Zealand) Ltd.	Retail Chemists
South Africa	B.P.D. (South Africa) (Pty.) Ltd.	Manufacturing & Wholesale Chemists
India	Boots Pure Drug Co. (India) Ltd. (60%)	Manufacturing & Wholesale Chemists
Pakistan	Boots Pure Drug Co. (Pakistan) Ltd. (56%)	Manufacturing & Wholesale Chemists
Australia	Boots Pure Drug Co. (Australia) Pty. Ltd.	Manufacturing & Wholesale Chemists
Nigeria	Boots Pure Drug Co. (Nigeria) Ltd.	Wholesale Chemists
Singapore	Boots Pure Drug Co. (Far East) Ltd.	Wholesale Chemists
Italy	Boots-Formenti S.p.A. (55%)	Wholesale Chemists

Associated Companies

The interest of Boots Pure Drug Co. Ltd. is as follows:

British Saccharin Sales Ltd. (50%)

Company Chemists Association Ltd. (42%)

12 (a)

Summary of Fixed Assets showing revalued properties at valuation with subsequent additions at cost. Properties not revalued are at cost. Long Leaseholds are those with over 50 years unexpired at the date of the Balance Sheet.

GROUP

	Gross Book Value 31st March, 1967	*Additions*	*Disposals*	*Transfers and Adjustments*	*Gross Book Value 31st March, 1968*
	£	£	£	£	£
Freeholds:					
Revalued 1958	*10,443,306*	193,514	(23,479)	—	10,613,341
Revalued 1965	*23,810,048*	695,459	(138,097)	8,984	24,376,394
Not Revalued	*6,322,687*	1,057,800	(5,356)	129,948	7,505,079
Total Freeholds	*40,576,041*	1,946,773	(166,932)	138,932	42,494,814
Long Leaseholds:					
Revalued 1958	*971,177*	—	—	—	971,177
Revalued 1965	*5,069,302*	62,586	—	(1,476)	5,130,412
Not Revalued	*141,145*	132,090	(241)	254,159	527,153
Total Long Leaseholds	*6,181,624*	194,676	(241)	252,683	6,628,742
Short Leaseholds:					
Revalued 1958	*17,907*	—	—	—	17,907
Revalued 1965	*4,149,106*	105,366	(8,195)	(34,765)	4,211,512
Not Revalued	*3,329,702*	476,936	(53,510)	(194,544)	3,558,584
Total Short Leaseholds	*7,496,715*	582,302	(61,705)	(229,309)	7,788,003
Fittings and Plant	*33,663,538*	4,154,729	(2,311,508)	102,656	35,609,415
TOTAL FIXED ASSETS	*£87,917,918*	£6,878,480	(£2,540,386)	£264,962	£92,520,974

BOOTS PURE DRUG CO. LTD.

	Gross Book Value 31st March, 1967	*Additions*	*Disposals*	*Transfers and Adjustments*	*Gross Book Value 31st March, 1968*
Freeholds:					
Revalued 1958	*10,429,074*	193,342	(16,557)	—	10,605,859
Revalued 1965	*5,265,572*	5,255	(48,530)	—	5,222,297
Not Revalued	*3,610,429*	424,324	(5,355)	—	4,029,398
Total Freeholds	*19,305,075*	622,921	(70,442)	—	19,857,554
Long Leaseholds:					
Revalued 1958	*971,177*	—	—	—	971,177
Revalued 1965	*56,000*	—	—	—	56,000
Not Revalued	*1,335*	356	(241)	—	1,450
Total Long Leaseholds	*1,028,512*	356	(241)	—	1,028,627
Short Leaseholds:					
Revalued 1958	*—*	—	—	—	—
Revalued 1965	*78,000*	—	—	—	78,000
Not Revalued	*153,246*	—	—	—	153,246
Total Short Leaseholds	*231,246*	—	—	—	231,246
Fittings and Plant	*14,947,681*	2,234,720	(1,620,415)	986	15,562,972
TOTAL FIXED ASSETS	*£35,512,514*	£2,857,997	(£1,691,098)	£986	£36,680,399

(b) Estimated Investment Grants £128,507 *(£118,953)* have been deducted from additions to Fittings and Plant and included in Debtors in so far as not yet paid.

(c) Due to devaluation, the sterling value of assets of the Overseas Companies has been increased by £236,054 and Accumulated Depreciation by £47,695. The uplifts are included in the Transfers and Adjustments columns and have been added to Capital Reserves.

Accumulated Depreciation 31st March, 1967 £	Depreciation for year £	Disposals £	Transfers and Adjustments £	Accumulated Depreciation 31st March, 1968 £	Net Book Values 31st March, 1967 £	Net Book Values 31st March, 1968 £
2,154,763	260,867	(2,713)	—	2,412,917	8,288,543	8,200,424
696,056	366,469	(5,390)	6,941	1,064,076	23,113,992	23,312,318
427,615	141,846	—	(561)	568,900	5,895,072	6,936,179
3,278,434	769,182	(8,103)	6,380	4,045,893	37,297,607	38,448,921
192,879	19,457	—	—	212,336	778,298	758,841
192,364	100,921	—	1,493	294,778	4,876,938	4,835,634
1,131	9,892	—	33,918	44,941	140,014	482,212
386,374	130,270	—	35,411	552,055	5,795,250	6,076,687
6,023	840	—	—	6,863	11,884	11,044
284,030	160,218	(6,444)	(3,411)	434,393	3,865,076	3,777,119
1,369,535	201,320	(40,291)	(26,888)	1,503,676	1,960,167	2,054,908
1,659,588	362,378	(46,735)	(30,299)	1,944,932	5,837,127	5,843,071
15,058,819	2,373,972	(1,912,609)	36,203	15,556,385	18,604,719	20,053,030
£20,383,215	£3,635,802	(£1,967,447)	£47,695	£22,099,265	£67,534,703	£70,421,709
2,153,136	260,724	(1,845)	—	2,412,015	8,275,938	8,193,844
104,276	52,674	(355)	—	156,595	5,161,296	5,065,702
371,906	89,580	—	—	461,486	3,238,523	3,567,912
2,629,318	402,978	(2,200)	—	3,030,096	16,675,757	16,827,458
192,879	19,457	—	—	212,336	778,298	758,841
1,718	859	—	—	2,577	54,282	53,423
159	21	—	—	180	1,176	1,270
194,756	20,337	—	—	215,093	833,756	813,534
—	—	—	—	—	—	—
4,008	2,004	—	—	6,012	73,992	71,988
109,123	5,614	—	—	114,737	44,123	38,509
113,131	7,618	—	—	120,749	118,115	110,497
9,266,177	1,012,017	(1,373,126)	652	8,905,720	5,681,504	6,657,252
£12,203,382	£1,442,950	(£1,375,326)	£652	£12,271,658	£23,309,132	£24,408,741

(d) The approximate amounts approved by the Directors in respect of capital expenditure not provided for in these accounts are as follows:

	Group This Year £	Group Last Year £	Boots Pure Drug Co. Ltd. This Year £	Boots Pure Drug Co. Ltd. Last Year £
Contracts placed	4,449,000	5,627,000	705,000	2,270,000
Contracts not placed	410,000	829,000	81,000	360,000
Investment Grants	(72,000)	(99,000)	(72,000)	(99,000)
	£4,787,000	£6,357,000	£714,000	£2,531,000

BOOTS PURE DRUG COMPANY LIMITED and its SUBSIDIARIES at Home and Abroad

The Ten Year Record

These tables express in figures the progress made by Boots at home and overseas in the last ten years

in thousands of £'s

	1959	1960	1961	1962	1963	1964	1965	1966	1967	**1968**
Sales: Home Trade	80,111	86,682	95,443	102,032	106,017	113,555	123,550	136,060	144,786	**155,187**
Export	1,798	1,946	2,059	1,930	2,049	2,525	2,686	2,840	2,709	**2,852**
Sales of the Home Group	81,909	88,628	97,502	103,962	108,066	116,080	126,236	138,900	147,495	**158,039**
Sales by Overseas Subsidiaries	2,335	2,550	2,705	3,173	3,547	3,748	4,261	4,426	3,869‡	**4,183‡**
Less Sales by Home Group to Overseas Subsidiaries	*(386)*	*(563)*	*(517)*	*(511)*	*(496)*	*(524)*	*(521)*	*(483)*	*(477)*	***(577)***
Net World Sales	83,858	90,615	99,690	106,624	111,117	119,304	129,976	142,843	150,887	**161,645**
Profits before Tax	4,998	7,561	8,826	9,271	9,645	11,597	13,932	15,234	14,877	**16,813**
Profits after Tax	2,442	3,826	4,263	4,340	4,601	5,446	6,438 420*	9,545†	8,843	**9,217**
Gross Preference Dividend	97	97	97	97	97	97	97	—	—	**—**
Gross Ordinary Dividend	2,048	2,688	3,072	3,072	3,328	3,840	4,608	5,376	5,376	**5,564**
Income Tax Retained	*(864)*	*(1,080)*	*(1,228)*	*(1,228)*	*(1,328)*	*(1,526)*	*(1,900)*	*(1,747)*	—	**—**
Net Undistributed Profits	1,150	2,118	2,322	2,399	2,504	3,035	4,053	5,915	3,465	**3,618**
Depreciation Charged	1,468	1,593	1,760	1,839	1,994	2,240	2,533	2,923	3,267	**3,636**
Cash Flow	2,618	3,711	4,082	4,238	4,498	5,275	6,586	8,838	6,732	**7,254**
Capital Expenditure *(Note 12)*	2,759	3,047	3,410	4,373	5,110	4,842	7,484	8,376	8,122	**6,878**
Amount of Profit Earning Bonus	464	702	820	861	896	1,077	1,294	1,415	1,379	**1,555**
Number of Staff in United Kingdom *(full-time equivalents)*	39,345	39,344	39,606	40,181	39,936	39,473	39,401	39,824	39,247	**38,615**
Number of Branches	1,313	1,307	1,305	1,298	1,290	1,284	1,270	1,268	1,266	**1,256**

* Profits attributable to earlier years. † After Corporation Tax 1966 onwards.

‡ The Sales by Overseas Subsidiaries were reduced in 1967 by £598,000 due to the devaluation of the Indian rupee and increased in 1968 by £63,000 due to the devaluation of Sterling.

in thousands of £'s

	1959	1960	1961	1962	1963	1964	1965	1966	1967	**1968**
Fully Paid Preference Shares	1,400	1,400	1,400	1,400	1,400	1,400	—	—	—	—
Fully Paid Ordinary Shares	12,800	12,800	25,600	25,600	25,600	25,600	38,400	38,400	38,400	38,400
Capital Reserves	14,642	14,660	1,719	1,890	2,073	2,157	13,737	14,161	14,147	14,444
Revenue Reserves	8,465	10,582	12,904	15,304	17,784	20,487	11,664	17,605	21,016	24,603
Shareholders' Funds	37,307	39,442	41,623	44,194	46,857	49,644	63,801	70,166	73,563	77,447
6% Loan Stock 1978/83	2,066	2,066	2,066	2,066	2,066	2,066	2,066	2,066	2,066	2,066
Minority Interests in Subsidiaries	—	—	—	—	—	—	5	233	208	334
Provisions for Pensions	1,020	1,020	1,020	1,020	1,020	1,020	927	927	927	927
Deferred Tax	684	687	680	693	708	1,133	1,578	1,659	1,985	2,596
Corporation Tax	—	—	—	—	—	—	—	5,412	5,597	6,979
Income Tax	1,867	3,005	3,443	3,495	3,526	4,269	5,079	—	—	—
Capital Employed	42,944	46,220	48,832	51,468	54,177	58,132	73,456	80,463	84,346	90,349
Profits as % of Capital Employed	11·9%	16·6%	18·3%	18·3%	18%	20·2%	19·1%	19·1%	17·8%	18·7%
Ordinary Dividends %	16%	21%	12%	12%	13%	15%	12%	14%	14%	14·49%
Equivalent % allowing for Scrip Issues	5·3%	7%	8%	8%	8·7%	10%	12%	14%	14%	14·49%

In arriving at profits as a percentage of capital employed, Loan Stock interest has not been deducted.

The Ordinary Share Capital reflects the scrip issues in the years to 31st March, 1961 (one for one), and 1965 (one for two).

The figures reflect the results of the property revaluations shown in Note 12 and the redemption of the Preference Shares at 31st March, 1965.

£100 invested in Ordinary Stock of the Company at 1st April, 1958 would have a market value of £364 at 31st March, 1968.

Directors' Shareholdings and Transactions

The names of the Directors at 31st March 1968 and details of the interests of each Director and his family in the Share and Loan Capital of the Company at the date of the Balance Sheet are shown below. In accordance with the requirements of the Companies Act 1967, holdings at 27th October 1967 are shown in brackets where these differ.

	Number of Ordinary Shares		*Amount of Loan Stock*	
	Beneficially held	*Otherwise held*	*Beneficially held*	*Otherwise held*
			£	£
W. R. NORMAN (Chairman)	41,955 (25,455)	6,066	—	—
K. D. WILLIAMSON (Managing Director)	2,211 (2,711)	—	—	—
G. I. HOBDAY (Deputy Managing Director)	6,500	—	101	—
THE RT. HON. LORD COLERAINE, P.C.	2,148	—	—	—
R. C. M. DICKSON, M.P.S.	2,654	—	107	—
K. H. HARPER, M.P.S.	2,100	—	91	—
B. JEFFERIES	150	—	177	—
SIR JAMES PITMAN, K.B.E.	10,169	—	—	—
A. D. SPENCER	250	—	—	—
M. J. VEREY	3,650	10,300	—	—

BOOTS PURE DRUG COMPANY LIMITED